

CITY OF SPIRIT LAKE

INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2015

CITY OF SPIRIT LAKE

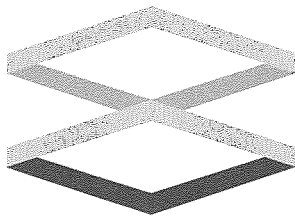
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CITY OF SPIRIT LAKE

OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Blain Andera	Mayor	December 31, 2015
Jerry Harbst	Council Member	December 31, 2015
Jeff Thee	Council Member	December 31, 2015
Kevin Bice	Council Member	December 31, 2015
Clyde Ihrke	Council Member (to October 2014)	
John Chappas	Council Member	December 31, 2017
Donna Fisher	Council Member (from October 2014)	December 31, 2017
Gregg Owens	Clerk/Administrator	December 31, 2015
Gregg Owens	Attorney	December 31, 2015



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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council
City of Spirit Lake
Spirit Lake, IA 51360

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Spirit Lake, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Spirit Lake as of June 30, 2015 and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Emphasis of a Matter

As disclosed in Note 6 to the financial statements, the City of Spirit Lake adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purposes of forming opinions on the financial statements that collectively comprise the City of Spirit Lake's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on the financial statements for the four years ended June 30, 2009 which were prepared in conformity with accounting principles generally accepted in the United States of America and unmodified opinions on the financial statements for the five years ended June 30, 2014 which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied

in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis on pages 5 through 11 and the information on Schedules 6 through 8, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2016 on our consideration of the City of Spirit Lake's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Spirit Lake's internal control over financial reporting and compliance.

Winter, Stave & Co., LLP

March 23, 2016
Spencer, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Spirit Lake provides this management's discussion and analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2015 Financial Highlights

- The City's total cash basis net position increased .63% or approximately \$41,800 from June 30, 2014 to June 30, 2015. Of this amount, the cash basis net position of the governmental activities decreased by approximately \$519,100 and the cash basis net position of the business type activities increased by approximately \$560,900.

Using This Annual Report

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The fund financial statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Supplementary Information provides detailed information about the nonmajor governmental funds, information on the City's debt and shows the receipts and disbursements of the governmental funds for the last ten years. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting The City as a Whole

Cash Basis Statement of Activities and Net Position

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, the sanitary sewer system, and the solid waste department. These activities are financed primarily by user charges.

Reporting the City's most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by State law or by bond requirements. The City Council also established funds to control and manage money for particular purposes. The City has the following types of funds:

The City has two kinds of funds:

1. Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: (a) the General Fund, (b) the Special Revenue Funds, such as Tax Increment Financing and Road Use Tax, (c) the Debt Service Fund, and (d) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements, and changes in cash balances.

2. Proprietary funds account for the City's Enterprise and for the Internal Service Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the water, sewer, and solid waste funds, considered to be major funds of the City. The Internal Service Funds are used to account for the City's self-insurance and to account for reserves accumulated to fund future equipment purchases.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements, and changes in cash balances.

Reconciliations between the government-wide financial statement and the fund statements follow the fund financial statements.

Government-Wide Financial Analysis

The City's cash balance for governmental activities decreased by \$519,138 for the year ended June 30, 2015. The following analysis focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position For the Year Ended June 30,

	<u>2015</u>	<u>2014</u>	<u>Increase (Decrease)</u>
Receipts:			
Program receipts:			
Charges for services	\$ 111,788	\$ 121,468	\$ (9,680)
Operating grants, contributions, and restricted interest	1,064,860	683,478	381,382
Capital grants, contributions, and restricted interest ..	1,625,142	585,188	1,039,954
General receipts:			
Property and other city taxes	2,475,027	2,341,456	133,571
Tax increment financing	2,313,443	2,340,694	(27,251)
Local option sales tax	1,060,706	887,476	173,230
Unrestricted investment earnings	6,341	9,542	(3,201)
Unrestricted miscellaneous	32,208	65,993	(33,785)
Bond and note proceeds	<u>4,807,540</u>	<u>1,734,653</u>	<u>3,072,887</u>
Total receipts	<u>13,497,055</u>	<u>8,769,948</u>	<u>4,727,107</u>
Disbursements:			
Public safety	1,166,696	1,129,215	37,481
Public works	907,211	945,875	(38,664)
Health and social services	33,725	33,725	
Culture and recreation	630,825	622,277	8,548
Community and economic development	717,713	283,235	434,478
General government	378,492	392,349	(13,857)
Debt service	6,498,858	2,690,267	3,808,591
Capital projects	<u>3,951,168</u>	<u>2,088,512</u>	<u>1,862,656</u>
Total disbursements	<u>14,284,688</u>	<u>8,185,455</u>	<u>6,099,233</u>
Change in cash basis net position before transfers	(787,633)	584,493	(1,372,126)
Net transfers	<u>268,495</u>	<u>405,283</u>	<u>(136,788)</u>
Change in cash basis net position	(519,138)	989,776	(1,508,914)
Cash basis net position - beginning of year	<u>3,443,057</u>	<u>2,453,281</u>	<u>989,776</u>
Cash basis net position - end of year	<u>\$ 2,923,919</u>	<u>\$3,443,057</u>	<u>\$ (519,138)</u>

The City's total receipts for governmental activities decreased significantly from fiscal year 2014 to fiscal year 2015. This was due to bond proceeds used to refinance two bond issues and fund a capital project. In addition, capital grants and contributions increased due to more grants being received related to various capital projects. Total disbursements also increased significantly due to the refunding of the bonds and an increase in capital project disbursements.

The City's cash balance for business type activities increased by \$560,916 for the year ended June 30, 2015. The following analysis focuses on the changes in cash basis net position of business type activities.

Changes in Cash Basis Net Position
For the Year Ended June 30,

	<u>2015</u>	<u>2014</u>	<u>Increase (Decrease)</u>
Receipts:			
Program receipts:			
Charges for services:			
Water	\$2,006,245	\$2,001,708	\$ 4,537
Sewer	330,056	319,795	10,261
Solid waste	915,437	911,515	3,922
Operating grants, contributions and restricted interest	41,230	20,717	20,513
Capital grants, contributions, and restricted interest ..		1,701	(1,701)
General receipts:			
Unrestricted investment earnings	10,503	10,892	(389)
Total receipts	<u>3,303,471</u>	<u>3,266,328</u>	<u>37,143</u>
Disbursements:			
Water	1,542,546	1,517,042	25,504
Sewer	127,669	296,348	(168,679)
Solid waste	803,845	855,330	(51,485)
Total disbursements	<u>2,474,060</u>	<u>2,668,720</u>	<u>(194,660)</u>
Change in cash basis net position before transfers	829,411	597,608	231,803
Net transfers	<u>(268,495)</u>	<u>(405,283)</u>	<u>136,788</u>
Change in cash basis net position	560,916	192,325	368,591
Cash basis net position - beginning of year	<u>3,219,807</u>	<u>3,027,482</u>	<u>192,325</u>
Cash basis net position - end of year	<u>\$3,780,723</u>	<u>\$3,219,807</u>	<u>\$560,916</u>

Total receipts for business type activities were slightly higher in fiscal year 2015 than in fiscal year 2014. Total disbursements were slightly less due to less sewer capital asset purchases.

Individual Major Governmental Fund Analysis

Changes in Cash Balances - Governmental Funds For the Year Ended June 30,

	2015 <u>All Funds</u>	2014 <u>All Funds</u>
Receipts	\$ 8,688,302	\$ 7,028,709
Disbursements	<u>14,290,772</u>	<u>8,185,387</u>
Net	(5,602,470)	(1,156,678)
Other financing sources	<u>5,066,035</u>	<u>2,266,583</u>
Increase (decrease) in cash balances	(536,435)	1,109,905
Cash balances - beginning of year	<u>3,386,674</u>	<u>2,276,769</u>
Cash balances - end of year	<u>\$ 2,850,239</u>	<u>\$ 3,386,674</u>

The governmental funds reported a combined cash balance of \$2,850,239 which was a decrease of \$536,435 from the balance at June 30, 2014.

The general, road use, debt service, and nonmajor governmental funds showed modest increases in cash balances. The tax increment financing fund showed a decrease in cash balances due to an increase in transfers. The capital project fund showed a \$648,112 decrease in cash balances due to spending of bond proceeds received in fiscal year 2014.

Individual Major Business Type Fund Analysis

Changes in Cash Balances - Proprietary Funds For the Year Ended June 30,

	2015 <u>Enterprise Funds</u>	2014 <u>Enterprise Funds</u>	2015 <u>Internal Service Funds</u>	2014 <u>Internal Service Funds</u>
Operating receipts	\$3,283,287	\$3,250,298	\$ 39,636	\$ 26,785
Operating disbursements	<u>2,109,097</u>	<u>2,111,592</u>	<u>28,181</u>	<u>26,243</u>
Excess of operating receipts over operating disbursements	1,174,190	1,138,706	11,455	542
Non-operating receipts (disbursements)	(351,732)	(543,323)	2,795	2,900
Net transfers	<u>(343,495)</u>	<u>(409,923)</u>	<u>85,000</u>	<u>(116,706)</u>
Increase (decrease) in cash balances	478,963	185,460	99,250	(113,264)
Cash balances - beginning of year	<u>2,597,272</u>	<u>2,411,812</u>	<u>678,918</u>	<u>792,182</u>
Cash balances - end of year	<u>\$3,076,235</u>	<u>\$2,597,272</u>	<u>\$ 778,168</u>	<u>\$ 678,918</u>

The enterprise funds reported a cash balance of \$3,076,235 which was an increase of \$478,963 over the balances at June 30, 2014. Water, sewer, and solid waste funds all showed modest increases in cash balances.

The internal service fund reported a modest increase in cash balances to a total of \$778,168.

Budgetary Highlights

During the year, the City amended the budget once. The amendment was approved on May 13, 2015. This amendment was primarily needed to budget for a refunding bond issue and the related refunding of the bonds. Total disbursements for the year did not exceed the final budgeted amounts.

Debt Administration

At June 30, 2015, the City had \$30,755,000 of outstanding bonds and notes, compared to \$32,000,000 last year as detailed below:

Outstanding Debt at Year-End		June 30,	
		2015	2014
General obligation bonds and notes	\$17,525,000	\$17,525,000	\$17,345,000
General obligation annual appropriation bonds	11,425,000	11,425,000	12,605,000
Water revenue capital loan notes	1,805,000	<u>1,805,000</u>	<u>2,050,000</u>
Total		<u>\$30,755,000</u>	<u>\$32,000,000</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. A computation of the City's available debt capacity is as follows;

Constitutional debt limit		\$23,949,777
General obligation bonds and notes	\$17,525,000	
Principal and interest due within the next fiscal year on general obligation annual appropriation bonds	<u>1,465,035</u>	
Total subject to constitutional debt limitation		<u>18,990,035</u>
Available debt capacity		<u>\$ 4,959,742</u>
Percentage of debt limit available		<u>20.71%</u>

The City issued \$4,685,000 of general obligation bonds and notes during the year ended June 30, 2015. The proceeds were used to refinance two bond issues and fund the 15th Street Reconstruction Project.

Economic Factors Bearing on the City's Future

General economic conditions continue to improve within the City of Spirit and surrounding areas, with a positive effect on the City's financial condition.

The City increased its General Fund ending cash balance in fiscal year 2015 by 30% to \$1,797,253. The General Fund ending balances represent 54% of disbursements plus net transfers out, compared to our goal of at least 25% of expenditures. In fiscal year 2015, the City budgeted to use General Fund balances to avoid debt and place funds in capital reserves and the City projects those reserves will continue to remain above the 25% level.

Some older residential development agreements historically have limited the City's ability to reduce debt levels, however, those agreements, as work proceeds under the agreements, have continued to create and stimulate residential and commercial development. Most of the infrastructure investment required by those agreements has now been completed and the City has seen the benefits of increased residential housing and commercial construction.

A major multi-residential/commercial development project was announced in the Spring of 2015 with construction to commence in early fiscal year 2016. A new major street and associated water and sewer infrastructure is being constructed with the developer's funds which will provide access to the development and from a major highway to other areas of the City. Pursuant to a developer agreement, the developer will have access to a limited tax increment financing rebate to offset some of the costs of construction, as the property subsequently develops.

Net long-term general obligation debt was reduced by \$1,000,000 in fiscal year 2015. The City expects a further net reduction in fiscal year 2016.

The City continues to experience increases in taxable valuation, which increases debt capacity and allows property tax receipts to increase with the tax levy rate held steady at \$10.54 per thousand taxable valuation. This tax rate was approved for fiscal year 2016 for the eighth straight year. City Administration believes that the current levy rate can continue through fiscal year 2016 and the City will be able to maintain current services without affecting our financial condition. There is additional capacity for the City to raise property tax rates if the Council approved doing so.

Economic activity is strong. Home and commercial construction activity has increased and employment is at or near full employment. Major employers in the area have increased their workforces and have plans to continue to increase their workforces in Spirit Lake. Tourism, a major factor in the area economy, has been relatively strong over the past three years. Sales tax revenue remains near historic highs and is increasing. New apartment construction continues providing new workforce housing opportunities for the area's growing industries.

The construction of the new City Hall for Spirit Lake was completed in November of 2014. A major street reconstruction project commenced in the Spring of 2014, on 15th Street, which is a major transportation corridor serving residential and commercial uses.

The City's workforce has remained steady; health insurance premium increases have been lower than projected; and no major events have occurred to disrupt regular operations. Equipment and vehicle replacement occurs on schedule with current funding. The City has increased its liability insurance coverage and is accumulating cash in various funds to pay costs of future equipment acquisitions and building improvements. Water and sewer rate increases were approved for fiscal year 2014 and fiscal year 2015.

In summary, the City of Spirit Lake is in good financial condition and the outlook is positive.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City Hall, 1803 Hill Avenue, Spirit Lake, Iowa 51360.

BASIC FINANCIAL STATEMENTS

CITY OF SPIRIT LAKE
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

			Program Receipts
	Disbursements	Charges for Service	Operating Grants, Contributions, and Restricted Interest
FUNCTIONS/PROGRAMS:			
Governmental activities:			
Public safety	\$ 1,166,696	\$ 98,077	\$ 45,782
Public works	907,211		560,663
Health and social services	33,725		
Culture and recreation	630,825	9,255	53,788
Community and economic development	717,713		404,019
General government	378,492	4,456	
Debt service	6,498,858		608
Capital projects	3,951,168		
Total governmental activities	<u>14,284,688</u>	<u>111,788</u>	<u>1,064,860</u>
Business type activities:			
Water	1,542,546	2,006,245	18,433
Sewer	127,669	330,056	13,132
Solid waste	803,845	915,437	9,665
Total business type activities	<u>2,474,060</u>	<u>3,251,738</u>	<u>41,230</u>
TOTAL	<u>\$16,758,748</u>	<u>\$3,363,526</u>	<u>\$1,106,090</u>

General Receipts:
Property and other city taxes levied for:
General purposes

Debt service

Commercial and industrial replacement

Tax increment financing

Local option sales tax

Unrestricted investment earnings

Unrestricted miscellaneous

Bond proceeds - net

Operating transfers

Total general receipts and transfers

CHANGE IN CASH BASIS NET POSITION .

CASH BASIS NET POSITION -
BEGINNING OF YEAR

CASH BASIS NET POSITION - END OF YEAR

CASH BASIS NET POSITION:
Restricted, expendable for:
Urban renewal purposes

Debt service

Capital projects

Streets

Other purposes

Unrestricted

TOTAL CASH BASIS NET POSITION

<u>Capital Grants, Contributions, and Restricted Interest</u>	<u>Net (Disbursements) Receipts and Changes in Cash Basis Net Position</u>		
	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
	\$ (1,022,837)		\$ (1,022,837)
	(346,548)		(346,548)
	(33,725)		(33,725)
	(567,782)		(567,782)
	(313,694)		(313,694)
	(374,036)		(374,036)
	(6,498,250)		(6,498,250)
<u>\$1,625,142</u>	<u>(2,326,026)</u>		<u>(2,326,026)</u>
<u>1,625,142</u>	<u>(11,482,898)</u>		<u>(11,482,898)</u>
		\$ 482,132	482,132
		215,519	215,519
		121,257	121,257
		<u>818,908</u>	<u>818,908</u>
<u>\$1,625,142</u>	<u>(11,482,898)</u>	<u>818,908</u>	<u>(10,663,990)</u>
	2,321,234		2,321,234
	74,444		74,444
	79,349		79,349
	2,313,443		2,313,443
	1,060,706		1,060,706
	6,341	10,503	16,844
	32,208		32,208
	4,807,540		4,807,540
	<u>268,495</u>	<u>(268,495)</u>	
	<u>10,963,760</u>	<u>(257,992)</u>	<u>10,705,768</u>
	(519,138)	560,916	41,778
	<u>3,443,057</u>	<u>3,219,807</u>	<u>6,662,864</u>
	<u>\$ 2,923,919</u>	<u>\$3,780,723</u>	<u>\$ 6,704,642</u>
	\$ 199,337		\$ 199,337
	3,128	\$ 290,042	293,170
	56,904		56,904
	478,429		478,429
	315,188	23,100	338,288
	<u>1,870,933</u>	<u>3,467,581</u>	<u>5,338,514</u>
	<u>\$ 2,923,919</u>	<u>\$3,780,723</u>	<u>\$ 6,704,642</u>

CITY OF SPIRIT LAKE
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

	<u>General</u>	<u>Tax Increment Financing</u>	<u>Road Use Tax</u>
RECEIPTS:			
Property tax	\$1,728,680		
Tax increment financing		\$2,313,443	
Other city taxes	1,240,450		
Licenses and permits	35,243		
Use of money and property	3,334	1,734	
Intergovernmental	595,361	2,444	\$ 503,483
Charges for service	31,684		
Miscellaneous	82,909		
TOTAL RECEIPTS	<u>3,717,661</u>	<u>2,317,621</u>	<u>503,483</u>
DISBURSEMENTS:			
Public safety	970,436		
Public works	388,577		449,614
Health and social services	33,725		
Culture and recreation	528,730		
Community and economic development	528,041	189,672	
General government	284,778		
Debt service			
Capital projects			
TOTAL DISBURSEMENTS	<u>2,734,287</u>	<u>189,672</u>	<u>449,614</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>983,374</u>	<u>2,127,949</u>	<u>53,869</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	5,000		
Operating transfers out	(574,911)	(2,534,853)	
Bond proceeds, including \$122,540 net premium			
TOTAL OTHER FINANCING SOURCES (USES)	<u>(569,911)</u>	<u>(2,534,853)</u>	
NET CHANGE IN CASH BALANCES	413,463	(406,904)	53,869
CASH BALANCES - BEGINNING OF YEAR	<u>1,383,790</u>	<u>606,241</u>	<u>424,560</u>
CASH BALANCES - END OF YEAR	<u>\$1,797,253</u>	<u>\$ 199,337</u>	<u>\$ 478,429</u>
CASH BASIS FUND BALANCES:			
Restricted for:			
Urban renewal purposes		\$ 199,337	
Debt service			
Capital projects			
Streets			\$ 478,429
Employee benefits			
Police purposes			
Library purposes			
Committed for economic development	\$ 349,812		
Assigned for park development	29,693		
Assigned for building maintenance	50,120		
Unassigned	<u>1,367,628</u>		
TOTAL CASH BASIS FUND BALANCES	<u>\$1,797,253</u>	<u>\$ 199,337</u>	<u>\$ 478,429</u>

See Notes to Financial Statements

Exhibit B

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>	<u>Total</u>
\$ 72,949		\$ 400,425	\$ 2,202,054
			2,313,443
1,495		12,385	1,254,330
			35,243
608	\$ 871	522	7,069
1,729	1,625,142	16,909	2,745,068
			31,684
		<u>16,502</u>	<u>99,411</u>
<u>76,781</u>	<u>1,626,013</u>	<u>446,743</u>	<u>8,688,302</u>
		199,157	1,169,593
		70,168	908,359
			33,725
		103,403	632,133
			717,713
		94,445	379,223
6,498,858			6,498,858
	<u>3,951,168</u>		<u>3,951,168</u>
<u>6,498,858</u>	<u>3,951,168</u>	<u>467,173</u>	<u>14,290,772</u>
<u>(6,422,077)</u>	<u>(2,325,155)</u>	<u>(20,430)</u>	<u>(5,602,470)</u>
3,166,729	136,530	60,000	3,368,259
			(3,109,764)
<u>3,267,027</u>	<u>1,540,513</u>		<u>4,807,540</u>
<u>6,433,756</u>	<u>1,677,043</u>	<u>60,000</u>	<u>5,066,035</u>
11,679	(648,112)	39,570	(536,435)
<u>(8,551)</u>	<u>705,016</u>	<u>275,618</u>	<u>3,386,674</u>
<u>\$ 3,128</u>	<u>\$ 56,904</u>	<u>\$ 315,188</u>	<u>\$ 2,850,239</u>
			\$ 199,337
\$ 3,128			3,128
	\$ 56,904		56,904
			478,429
		\$ 177,276	177,276
		28,330	28,330
		109,582	109,582
			349,812
			29,693
			50,120
			<u>1,367,628</u>
<u>\$ 3,128</u>	<u>\$ 56,904</u>	<u>\$ 315,188</u>	<u>\$ 2,850,239</u>

See Notes to Financial Statements

CITY OF SPIRIT LAKE
 RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
 AND CHANGES IN CASH BALANCES TO THE
 CASH BASIS STATEMENT OF ACTIVITIES AND
 NET POSITION - GOVERNMENTAL FUNDS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

TOTAL GOVERNMENTAL FUNDS CASH BALANCES PER EXHIBIT B	\$2,850,239
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AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE
 CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION
 ARE DIFFERENT BECAUSE:

The internal service funds are used by the City to charge the cost of partial self funding the City's health insurance benefit plan to the individual funds and to fund future equipment purchases. A portion of the cash balances of the internal service funds is included in governmental activities in the Cash Basis Statement of Activities and Net Position.	<u>73,680</u>
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CASH BASIS NET POSITION OF GOVERNMENTAL ACTIVITIES PER EXHIBIT A	<u>\$2,923,919</u>
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NET CHANGE IN CASH BALANCES PER EXHIBIT B	\$ (536,435)
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AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE
 CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION ARE
 DIFFERENT BECAUSE:

The internal service funds are used by the City to charge the cost of partial self funding the City's health insurance benefit plan to the individual funds and to fund future equipment purchases. A portion of the change in the cash balances of the internal services funds is included in governmental activities in the Cash Basis Statement of Activities and Net Position.	<u>17,297</u>
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CHANGE IN CASH BASIS NET POSITION OF GOVERNMENTAL ACTIVITIES PER EXHIBIT A	<u>\$ (519,138)</u>
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CITY OF SPIRIT LAKE
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES - PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

	Enterprise Funds			
	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
OPERATING RECEIPTS:				
Charges for services	\$2,006,245	\$ 330,056	\$ 915,437	\$3,251,738
Charges to operating funds				
Miscellaneous	<u>9,005</u>	<u>13,081</u>	<u>9,463</u>	<u>31,549</u>
TOTAL OPERATING RECEIPTS	<u>2,015,250</u>	<u>343,137</u>	<u>924,900</u>	<u>3,283,287</u>
OPERATING DISBURSEMENTS:				
Business type activities:				
Cost of sales and services	1,192,945	110,996	805,156	2,109,097
Insurance charges and claims	<u> </u>	<u> </u>	<u> </u>	<u> </u>
EXCESS OF OPERATING RECEIPTS OVER OPERATING DISBURSEMENTS	<u>822,305</u>	<u>232,141</u>	<u>119,744</u>	<u>1,174,190</u>
NON-OPERATING RECEIPTS (DISBURSEMENTS):				
Interest on investments	3,877	1,514	2,573	7,964
Lease income	9,000			9,000
Purchase of capital assets	(74,183)	(16,958)		(91,141)
Debt service payments:				
Revenue note principal	(245,000)			(245,000)
Revenue note interest	(32,055)			(32,055)
Legal and other bond costs	<u>(500)</u>	<u> </u>	<u> </u>	<u>(500)</u>
TOTAL NON-OPERATING RECEIPTS (DISBURSEMENTS)	<u>(338,861)</u>	<u>(15,444)</u>	<u>2,573</u>	<u>(351,732)</u>
EXCESS OF RECEIPTS OVER DISBURSEMENTS	483,444	216,697	122,317	822,458
OPERATING TRANSFERS IN	150,000		30,666	180,666
OPERATING TRANSFERS OUT	<u>(448,772)</u>	<u>(48,889)</u>	<u>(26,500)</u>	<u>(524,161)</u>
NET CHANGE IN CASH BALANCES	184,672	167,808	126,483	478,963
CASH BALANCES - BEGINNING OF YEAR	<u>997,683</u>	<u>481,446</u>	<u>1,118,143</u>	<u>2,597,272</u>
CASH BALANCES - END OF YEAR	<u>\$1,182,355</u>	<u>\$ 649,254</u>	<u>\$1,244,626</u>	<u>\$3,076,235</u>
CASH BASIS FUND BALANCES:				
Restricted, expendable for:				
Revenue note retirement	\$ 290,042			\$ 290,042
Water deposits	23,100			23,100
Unrestricted	<u>869,213</u>	<u>\$ 649,254</u>	<u>\$1,244,626</u>	<u>2,763,093</u>
TOTAL CASH BASIS FUND BALANCES	<u>\$1,182,355</u>	<u>\$ 649,254</u>	<u>\$1,244,626</u>	<u>\$3,076,235</u>

Exhibit D

Internal Service Funds		
<u>Self-Insurance</u>	<u>Equipment Revolving</u>	<u>Total</u>
\$ 37,998		\$ 37,998
<u>1,638</u>	<u> </u>	<u>1,638</u>
<u>39,636</u>	<u> </u>	<u>39,636</u>
<u>28,181</u>	<u> </u>	<u>28,181</u>
<u>11,455</u>	<u> </u>	<u>11,455</u>
330	\$ 2,465	2,795
<u>330</u>	<u>2,465</u>	<u>2,795</u>
11,785	2,465	14,250
	85,000	85,000
11,785	87,465	99,250
<u>69,852</u>	<u>609,066</u>	<u>678,918</u>
<u>\$ 81,637</u>	<u>\$696,531</u>	<u>\$ 778,168</u>
<u>\$ 81,637</u>	<u>\$696,531</u>	<u>\$ 778,168</u>
<u>\$ 81,637</u>	<u>\$696,531</u>	<u>\$ 778,168</u>

CITY OF SPIRIT LAKE
 RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
 AND CHANGES IN CASH BALANCES TO THE CASH BASIS STATEMENT OF
 ACTIVITIES AND NET POSITION - PROPRIETARY FUNDS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

TOTAL ENTERPRISE FUNDS CASH BALANCES PER EXHIBIT D \$3,076,235

AMOUNTS REPORTED FOR BUSINESS TYPE ACTIVITIES IN THE
 CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION ARE
 DIFFERENT BECAUSE:

The internal service funds are used by the City to charge the cost of partial self
 funding the City's health insurance benefit plan to the individual funds and to
 fund future equipment purchases. A portion of the cash balances of the internal
 service funds is included in business type activities in the Cash Basis Statement
 of Activities and Net Position. 704,488

CASH BASIS NET POSITION OF BUSINESS TYPE ACTIVITIES
 PER EXHIBIT A \$3,780,723

NET CHANGE IN CASH BALANCES - ENTERPRISE FUNDS PER EXHIBIT D .. \$ 478,963

AMOUNTS REPORTED FOR BUSINESS TYPE ACTIVITIES IN THE
 CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION ARE
 DIFFERENT BECAUSE:

The internal service funds are used by the City to charge the cost of partial self
 funding the City's health insurance benefit plan to the individual funds and to
 fund future equipment purchases. A portion of the change in cash balances
 of the internal service funds is included in business type activities in the Cash
 Basis Statement of Activities and Net Position. 81,953

CHANGE IN CASH BASIS NET POSITION OF BUSINESS TYPE ACTIVITIES
 PER EXHIBIT A \$ 560,916

CITY OF SPIRIT LAKE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Spirit Lake, Iowa is a political subdivision of the State of Iowa located in Dickinson County. It was first incorporated in 1879 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council-Clerk/Administrator form of government with the Mayor and Council Members elected on a non-partisan basis. The City of Spirit Lake provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. It also operates the water, sewer, and solid waste utilities.

A. Reporting Entity

For financial reporting purposes, the City has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. It was determined that the City has no component units.

Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments.

B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

Net position is reported in two categories:

Expendable restricted net position results when constraints placed on net use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net cash balances that do not meet the definition of the preceding category. Unrestricted net position often has constraints on cash balances imposed by management, which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges, and the capital improvement costs not paid from other funds.

Special Revenue:

The Tax Increment Financing Fund is used to account for receipts from the tax authorized by ordinance in the urban renewal district and used to pay the principal and interest on the general obligation bonds and notes and other indebtedness incurred for urban renewal redevelopment projects.

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Debt Service Fund is used to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The City reports the following major proprietary funds:

Enterprise:

The Water Fund is used to account for the operation and maintenance of the City's water system.

The Sewer Fund is used to account for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Solid Waste Fund is used to account for the operation and maintenance of the City's solid waste collection activities.

Additionally, the City reports the following proprietary funds:

The Internal Service Funds are utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

C. Measurement Focus and Basis of Accounting

The City of Spirit Lake maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the City Council through ordinance or resolution approved prior to year end. Those committed amounts cannot be used for any other purposes unless the City Council removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned - Amounts the Council intends to use for specific purposes.

Unassigned - All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

F. Subsequent Events

Subsequent events were evaluated by management for disclosure up to the date of the auditors' report, which is the date the financial statements were available to be issued.

2. CASH AND INVESTMENTS

The City's demand deposits, savings accounts, and certificates of deposit at June 30, 2015 were entirely covered by Federal depository insurance or by a multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the members of the pool to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's cash and investments consisted of the following at June 30, 2015:

Cash on hand	\$ 905
Demand deposits	473,137
Certificates of deposit/savings accounts	<u>6,230,600</u>
	<u>\$6,704,642</u>

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

3. DUE FROM SPIRIT LAKE DEVELOPMENT CORPORATION

The City has loaned the Spirit Lake Development Corporation \$325,000 to purchase land for future economic development. The loan is interest-free and is payable as the land is sold. No repayments were received during the year ended June 30, 2015.

4. BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for the City's long-term debt are as follows:

Year Ending June 30,	<u>Governmental Activities</u>			<u>Business-Type Activities</u>		
	<u>General Obligation Bonds/Notes</u>			<u>General Obligation Bonds/Notes</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 2,100,000	\$ 609,838	\$ 2,709,838	\$ 460,000	\$108,616	\$ 568,616
2017	2,395,000	544,945	2,939,945	465,000	103,150	568,150
2018	2,408,978	497,649	2,906,627	461,022	98,226	559,248
2019	2,310,000	444,458	2,754,458	465,000	92,445	557,445
2020	2,305,000	389,765	2,694,765	480,000	85,735	565,735
2021-2025	11,170,000	970,944	12,140,944	2,430,000	285,750	2,715,750
2026-2028	<u>495,000</u>	<u>16,253</u>	<u>511,253</u>	<u>1,005,000</u>	<u>48,825</u>	<u>1,053,825</u>
Total	<u>\$23,183,978</u>	<u>\$3,473,852</u>	<u>\$26,657,830</u>	<u>\$5,766,022</u>	<u>\$822,747</u>	<u>\$6,588,769</u>

4. BONDS AND NOTES PAYABLE - Continued

Year Ending June 30,	<u>Business-Type Activities</u>			<u>Total Business-Type Activities</u>		
	<u>Water Revenue</u>	<u>Capital Loan</u>	<u>Notes</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>			
2016	\$ 215,000	\$ 29,605	\$ 244,605	\$ 675,000	\$ 138,221	\$ 813,221
2017	215,000	27,455	242,455	680,000	130,605	810,605
2018	220,000	24,983	244,983	681,022	123,209	804,231
2019	225,000	22,012	247,012	690,000	114,457	804,457
2020	225,000	18,525	243,525	705,000	104,260	809,260
2021-2025	705,000	30,195	735,195	3,135,000	315,945	3,450,945
2026-2028				1,005,000	48,825	1,053,825
Total	<u>\$1,805,000</u>	<u>\$ 152,775</u>	<u>\$1,957,775</u>	<u>\$7,571,022</u>	<u>\$ 975,522</u>	<u>\$8,546,544</u>

General Obligation Bonds/Notes

General obligation bonds/notes to be serviced by the Debt Service Fund totaled \$28,950,000 at June 30, 2015.

The general obligation bonds reported under business type activities were issued to pay for water and sewer projects. They are anticipated to be repaid by those enterprise funds. In addition, a majority of the other general obligation bonds are anticipated to be repaid from tax increment financing revenues, local option sales tax funds, and general fund receipts. In compliance with statutory requirements, any payments from other funds are recorded as reimbursements to the Debt Service Fund in the City's accounting records. General obligation bonds/notes bear interest with rates ranging from .70% to 3.65%.

Revenue Notes

The City has pledged future water customer revenues, net of specific operating expenses, to repay the \$2,675,000 water revenue refunding capital loan notes issued in May 2012. The proceeds from the notes refunded water revenue capital loan notes issued in May 2003 which provided financing for a water plant addition. The notes are payable solely from water customer net revenues and are payable through 2023. Annual principal and interest payments are expected to require less than 35% of net revenues. Total principal and interest remaining to be paid on the notes are \$1,957,775. For the current year, principal and interest paid and total customer net revenues were \$277,055 and \$822,305, respectively. The notes bear interest with rates ranging from 1.00% to 2.20%.

The resolution providing for the issuance of the water revenue refunding capital loan notes include the following provisions:

- (A) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (B) Sufficient monthly transfers shall be made into a separate water revenue sinking fund for the purpose of making the principal and interest payments when due.
- (C) Additional monthly transfers shall be made to a separate water reserve fund until a specific minimum balance has been accumulated. This fund is restricted for the purposes of paying principal and interest payments when insufficient money is available in the sinking fund. The City has fully funded this reserve.

(D) User rates shall be established at a level which produces and maintains net revenues at a level not less than 125% of the amount of principal and interest on the note falling due in the same year.

During the year ended June 30, 2015, the City was in compliance with the revenue note resolution.

5. INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>	<u>Purpose</u>
General	Proprietary:		
	Enterprise:		
	Water	\$ 3,000	Shield transfer
	Sewer	500	Shield transfer
	Solid Waste	<u>1,500</u>	Shield transfer
		<u>5,000</u>	
Debt Service:	General	337,715	Debt payments
	Special Revenue:		
	Tax increment financing	2,384,853	Debt payments
	Proprietary:		
	Enterprise:		
	Water	430,772	Debt payments
	Sewer	<u>13,389</u>	Debt payments
		<u>3,166,729</u>	
Capital Projects	General	<u>136,530</u>	Fund projects
Proprietary:			
Enterprise:			
Water	Special Revenue:		
	Tax increment financing	<u>150,000</u>	Repay interfund loan
Solid Waste	General	<u>30,666</u>	Repay FEMA funds
Equipment			
Revolving	General	10,000	Budgeted transfer
	Proprietary:		
	Enterprise:		
	Water	15,000	Budgeted transfer
	Sewer	35,000	Budgeted transfer
	Solid Waste	<u>25,000</u>	Budgeted transfer
		<u>85,000</u>	
Nonmajor			
Governmental Funds:			
Employee benefits	General	<u>60,000</u>	Property tax relief
TOTAL OPERATING TRANSFERS		<u>\$3,633,925</u>	

6. PENSION AND RETIREMENT BENEFITS

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, PO Box 9117, Des Moines, IA 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general information purposes only. Refer to the plan documents for more information.

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be

determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total rate of 14.88 percent. Protective occupation members contributed 6.76 percent of pay, and the City contributed 10.14 percent for a total rate of 16.90 percent.

The City's contributions to IPERS for the year ended June 30, 2015 were \$180,555.

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions- At June 30, 2015, the City's liability for its proportionate share of the collective net pension totaled \$717,936. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's proportion was .018088 percent which was a decrease of .003953 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City collective pension expense, collective deferred outflows, and collective deferred inflows totaled \$76,140, \$46,891, and \$469,883, respectively.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31%
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	<u>1</u>	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease <u>(6.5%)</u>	Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
City's proportionate share of the net pension liability	\$1,752,821	\$ 717,936	\$ (155,209)

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

7. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

The City operates a single-employer benefit plan which provides medical, dental, and prescription drug benefits to active and retired employees and their eligible dependents. There are 37 active and 1 retired member in the plan. Participants must be age 55 or older at retirement.

The medical, dental, and prescription drug benefits are provided through an insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy

The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are approximately \$406 for single coverage and \$949 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2015, the City contributed \$236,304 and plan members eligible for benefits contributed \$42,413 to the plan.

8. COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable to employees at June 30, 2015 is as follows:

Governmental activities:

General fund	\$ 70,353
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Business type activities:

Proprietary:

Enterprise:

Water	23,295
Sewer	3,852
Solid waste	2,468
Total business type activities	<u>29,615</u>

TOTAL	<u>\$ 99,968</u>
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This liability has been computed based on rates of pay in effect at June 30, 2015.

9. INDUSTRIAL DEVELOPMENT REVENUE BONDS

The City has issued industrial development and senior housing revenue bonds under the provisions of Chapter 419 of the Code of Iowa. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the City. The outstanding balance at June 30, 2015 has not been determined.

10. COMMITMENTS

The City has entered into contracts for various construction projects. A summary of the projects is as follows:

Contracts total	\$3,981,250
Paid as of June 30, 2015	<u>2,268,209</u>
Balance to be paid	<u>\$1,713,041</u>

The City has committed funds to several nonprofit organizations, including \$50,000 to be paid in 2016 for the construction of the YMCA. No contracts have been signed. The City will report the expenditures in the year payments are made.

The City has also entered into several tax increment financing rebate agreements with local businesses. The City has agreed to rebate the taxes paid by the business over a period of years. The City will expense the rebates as the taxes are collected and returned to the businesses.

11. SUBSEQUENT EVENTS

Subsequent to June 30, 2015, the City issued \$1,620,000 of General Obligation Capital Loan notes and entered into construction contracts totaling \$300,604 for various capital projects.

12. RISK MANAGEMENT

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 727 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300 percent of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2015 were \$107,536.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss, or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss, or series of claims or losses exhausts the Pool's funds and any reinsurance and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The City does not disclose a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2015, no liability has been disclosed in the City's financial statements. As of June 30, 2015, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City has established a partial self-insurance health insurance fund (an internal service fund) to account for group insurance risks. The City has agreed to pay a portion of the employees' deductible.

The City has workmen's compensation coverage through the Iowa Municipalities Workers' Compensation Association. In addition, the City purchases employee blanket bond coverage from other insurers. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

SUPPLEMENTARY INFORMATION

CITY OF SPIRIT LAKE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES
 ALL NONMAJOR GOVERNMENTAL FUNDS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

	Employee Benefits	Police Forfeiture	Friends of the Library	Total
RECEIPTS:				
Property tax	\$400,425			\$400,425
Other city taxes	12,385			12,385
Use of money and property	147		\$ 375	522
Intergovernmental	14,111		2,798	16,909
Miscellaneous	635	\$ 4,441	11,426	16,502
TOTAL RECEIPTS	<u>427,703</u>	<u>4,441</u>	<u>14,599</u>	<u>446,743</u>
DISBURSEMENTS:				
Public safety	197,351	1,806		199,157
Public works	70,168			70,168
Culture and recreation	81,740		21,663	103,403
General government	94,445			94,445
TOTAL DISBURSEMENTS	<u>443,704</u>	<u>1,806</u>	<u>21,663</u>	<u>467,173</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(16,001)	2,635	(7,064)	(20,430)
OPERATING TRANSFERS IN	<u>60,000</u>			<u>60,000</u>
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER (UNDER) DISBURSEMENTS	43,999	2,635	(7,064)	39,570
CASH BALANCES - BEGINNING OF YEAR	<u>133,277</u>	<u>25,695</u>	<u>116,646</u>	<u>275,618</u>
CASH BALANCES - END OF YEAR	<u>\$177,276</u>	<u>\$ 28,330</u>	<u>\$109,582</u>	<u>\$315,188</u>
CASH BASIS FUND BALANCES:				
Restricted for:				
Employee benefits	\$177,276			\$177,276
Police purposes		\$ 28,330		28,330
Library purposes			\$109,582	109,582
TOTAL CASH BASIS FUND BALANCES	<u>\$177,276</u>	<u>\$ 28,330</u>	<u>\$109,582</u>	<u>\$315,188</u>

CITY OF SPIRIT LAKE
SCHEDULE OF INDEBTEDNESS
JUNE 30, 2015

	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount of Original Issue</u>
GENERAL OBLIGATION BONDS/NOTES TO BE PAID BY GOVERNMENTAL FUNDS:			
General obligation bonds, Series 2009A	11-24-2009		\$3,135,000
General obligation bonds, Series 2010A	8-10-2010	2.50 - 3.25%	4,095,000
General obligation bonds, Series 2010B	8-10-2010	2.00 - 3.65%	2,565,000
General obligation bonds, Series 2011	11-17-2011	1.15 - 2.45%	1,025,000
General obligation storm sewer improvement bonds	7-15-2011	3.25%	103,000
General obligation annual appropriation bonds, Series 2012A	7-26-2012	2.00 - 3.55%	9,095,000
General obligation annual appropriation bonds, Series 2012B	8-28-2012	1.50 - 3.00%	4,915,000
General obligation urban renewal bonds, Series 2012C	8-28-2012	1.55 - 2.15%	1,150,000
General obligation capital loan notes, Series 2013	10-22-2013	.70 - 3.00%	1,735,000
General obligation capital loan notes, Series 2015	4-17-2015	1.50 - 2.50%	2,733,978
General obligation urban renewal bonds, Series 2015	11-26-2014	1.50 - 2.75%	1,515,000
TOTAL GENERAL OBLIGATION BONDS/NOTES TO BE PAID BY GOVERNMENTAL FUNDS			
GENERAL OBLIGATION BONDS/NOTES INTENDED TO BE PAID BY ENTERPRISE FUNDS:			
General obligation bonds, Series 2007C (sewer)	6-01-2007		610,000
General obligation refunding capital loan notes, Series 2012	5-22-2012	.75 - 2.70%	6,300,000
General obligation bonds, Series 2011 (water)	11-17-2011	1.15 - 2.45%	590,000
General obligation capital loan notes, Series 2015 (sewer)	4-17-2015	1.50 - 2.50%	436,022
TOTAL GENERAL OBLIGATION BONDS/NOTES INTENDED TO BE PAID BY ENTERPRISE FUNDS			
TOTAL GENERAL OBLIGATION BONDS/NOTES			
REVENUE NOTES:			
Water revenue refunding capital loan notes, Series 2012	5-22-2012	1.00 - 2.20%	2,675,000

Schedule 2

<u>Final Due Date</u>	<u>Balance Beginning of Year</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
	\$ 2,935,000		\$2,935,000		\$ 99,830
6-01-2023	2,550,000		290,000	\$ 2,260,000	73,550
6-01-2024	1,940,000		235,000	1,705,000	52,173
6-01-2022	775,000		75,000	700,000	13,932
6-01-2016	30,000		15,000	15,000	975
6-01-2026	8,755,000		830,000	7,925,000	236,435
6-01-2024	3,850,000		350,000	3,500,000	84,575
6-01-2025	1,150,000			1,150,000	22,500
6-01-2025	1,735,000		55,000	1,680,000	59,633
6-01-2024		\$2,733,978		2,733,978	
6-01-2026		<u>1,515,000</u>		<u>1,515,000</u>	
	<u>23,720,000</u>	<u>4,248,978</u>	<u>4,785,000</u>	<u>23,183,978</u>	<u>643,603</u>
	470,000		470,000		17,765
6-01-2028	5,170,000		355,000	4,815,000	89,852
6-01-2022	590,000		75,000	515,000	10,238
6-01-2027		<u>436,022</u>		<u>436,022</u>	
	<u>6,230,000</u>	<u>436,022</u>	<u>900,000</u>	<u>5,766,022</u>	<u>117,855</u>
	<u>\$29,950,000</u>	<u>\$4,685,000</u>	<u>\$5,685,000</u>	<u>\$28,950,000</u>	<u>\$761,458</u>
6-01-2023	<u>\$ 2,050,000</u>		<u>\$ 245,000</u>	<u>\$ 1,805,000</u>	<u>\$ 32,055</u>

CITY OF SPIRIT LAKE
BOND AND NOTE MATURITIES
JUNE 30, 2015

General Obligation Bonds/Notes

Year Ending June 30,	Issued 7-26-2012 Series 2012A		Issued 8-28-2012 Series 2012B		Issued 8-28-2012 Series 2012C	
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount
2016	2.00%	\$ 810,000	1.50%	\$ 355,000		
2017	2.00%	515,000	1.75%	650,000		
2018	2.25%	760,000	2.00%	400,000		
2019	2.50%	805,000	2.20%	350,000		
2020	2.60%	800,000	2.40%	350,000		
2021	3.00%	795,000	2.60%	350,000	1.55%	\$ 175,000
2022	3.05%	790,000	2.70%	350,000	1.75%	125,000
2023	3.10%	810,000	3.00%	350,000	2.00%	300,000
2024	3.30%	800,000	3.00%	345,000	2.00%	150,000
2025	3.40%	710,000			2.15%	400,000
2026	3.55%	330,000				
2027						
2028						
Total		<u>\$ 7,925,000</u>		<u>\$ 3,500,000</u>		<u>\$ 1,150,000</u>

General Obligation Bonds/Notes

Year Ending June 30,	Issued 8-10-2010 Series 2010A		Issued 8-10-2010 Series 2010B		Issued 11-17-2011 Series 2011	
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount
2016	2.50%	\$ 290,000	2.00%	\$ 245,000	1.15%	\$ 80,000
2017	3.00%	290,000	2.35%	250,000	1.40%	80,000
2018	3.00%	280,000	2.55%	260,000	1.65%	105,000
2019	3.00%	280,000	2.75%	150,000	1.85%	105,000
2020	3.00%	280,000	3.00%	155,000	2.10%	95,000
2021	3.00%	280,000	3.15%	160,000	2.30%	115,000
2022	3.25%	280,000	3.30%	155,000	2.45%	120,000
2023	3.25%	280,000	3.45%	160,000		
2024			3.65%	170,000		
2025						
2026						
2027						
2028						
		<u>\$ 2,260,000</u>		<u>\$ 1,705,000</u>		<u>\$ 700,000</u>

[illegible][illegible]

CITY OF SPIRIT LAKE
BOND AND NOTE MATURITIES - cont.
JUNE 30, 2015

General Obligation Bonds/Notes								
Year Ending June 30,	Issued 4-7-2015 Series 2015		Issued 5-22-2012 Series 2012		Issued 11-17-2011 Series 2011		Subtotal (B)	General Obligation Total
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount		
2016	1.50%	\$ 35,000	0.75%	\$ 355,000	1.15%	\$ 70,000	\$ 460,000	\$ 2,560,000
2017	1.50%	35,000	0.95%	360,000	1.40%	70,000	465,000	2,860,000
2018	2.00%	36,022	1.10%	355,000	1.65%	70,000	461,022	2,870,000
2019	2.00%	40,000	1.30%	355,000	1.85%	70,000	465,000	2,775,000
2020	2.50%	40,000	1.50%	360,000	2.10%	80,000	480,000	2,785,000
2021	2.50%	35,000	1.70%	360,000	2.30%	75,000	470,000	3,010,000
2022	2.50%	40,000	2.00%	360,000	2.45%	80,000	480,000	2,965,000
2023	2.50%	40,000	2.10%	620,000			660,000	3,225,000
2024	2.50%	35,000	2.20%	375,000			410,000	2,540,000
2025	2.50%	30,000	2.35%	380,000			410,000	1,860,000
2026	2.50%	35,000	2.50%	385,000			420,000	915,000
2027	2.50%	35,000	2.60%	275,000			310,000	310,000
2028			2.70%	275,000			275,000	275,000
		<u>\$ 436,022</u>		<u>\$ 4,815,000</u>		<u>\$ 515,000</u>	<u>\$ 5,766,022</u>	<u>\$ 28,950,000</u>

Revenue Note		
Issued 5-22-2012		
Series 2012		
Year Ending June 30,	Interest Rate	Amount
2016	1.00%	\$ 215,000
2017	1.15%	215,000
2018	1.35%	220,000
2019	1.55%	225,000
2020	1.70%	225,000
2021	1.95%	230,000
2022	2.10%	235,000
2023	2.20%	240,000
		<u>\$ 1,805,000</u>

All general obligation bonds/notes will be paid from the debt service fund.

Any payments from other funds will be recorded as transfers to the debt service fund.

(A) Total general obligation bond/notes to be paid by governmental funds.

(B) Total general obligation bond/notes intended to be paid by enterprise funds.

CITY OF SPIRIT LAKE
SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -
ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	Cash Basis			
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
RECEIPTS:				
Property tax	\$ 2,202,054	\$2,133,101	\$ 2,109,569	\$ 1,999,309
Tax increment financing	2,313,443	2,340,694	2,262,343	2,464,146
Other city taxes	1,254,330	1,095,831	1,129,072	1,086,892
Licenses and permits	35,243	49,843	47,290	30,701
Use of money and property	7,069	9,477	9,544	12,804
Intergovernmental	2,745,068	725,394	550,838	601,562
Charges for services	31,684	27,457	28,695	18,160
Miscellaneous	<u>99,411</u>	<u>646,912</u>	<u>335,423</u>	<u>133,612</u>
TOTAL RECEIPTS	<u>\$ 8,688,302</u>	<u>\$7,028,709</u>	<u>\$ 6,472,774</u>	<u>\$ 6,347,186</u>
DISBURSEMENTS:				
Public safety	\$ 1,169,593	\$1,128,910	\$ 1,100,254	\$ 1,108,913
Public works	908,359	946,036	703,038	977,962
Health and social services	33,725	33,725	35,525	31,916
Culture and recreation	632,133	622,094	625,480	573,516
Community and economic development	717,713	283,235	225,725	526,226
General government	379,223	392,608	379,134	369,424
Debt service	6,498,858	2,690,267	16,488,386	9,337,774
Capital projects	<u>3,951,168</u>	<u>2,088,512</u>	<u>2,374,083</u>	<u>928,559</u>
TOTAL DISBURSEMENTS	<u>\$14,290,772</u>	<u>\$8,185,387</u>	<u>\$21,931,625</u>	<u>\$13,854,290</u>

Cash Basis					
<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 1,950,264	\$ 1,930,557	\$ 1,813,026	\$ 1,284,869	\$ 1,463,280	\$ 1,122,643
2,415,385	2,337,003	2,030,722	2,839,656	1,878,437	2,166,498
965,362	875,002	970,243	965,017	993,763	824,994
27,898	27,208	20,078	54,162	90,771	131,656
22,757	29,311	36,480	122,085	146,201	162,288
527,835	501,736	444,811	732,578	739,507	453,555
22,325	31,933	27,477	13,448	88,022	15,668
<u>209,964</u>	<u>130,984</u>	<u>222,450</u>	<u>168,498</u>	<u>283,654</u>	<u>206,945</u>
<u>\$ 6,141,790</u>	<u>\$ 5,863,734</u>	<u>\$ 5,565,287</u>	<u>\$ 6,180,313</u>	<u>\$ 5,683,635</u>	<u>\$ 5,084,247</u>
\$ 1,014,802	\$ 1,072,431	\$ 984,546	\$ 850,649	\$ 951,592	\$ 854,618
866,225	926,717	873,090	743,808	1,696,476	849,778
31,666					
512,734	568,185	538,887	538,536	585,403	663,020
110,250	43,381	5,870	51,115	225,124	345,995
356,029	485,849	475,301	422,408	495,719	451,180
9,556,100	4,438,312	2,685,985	2,248,864	3,116,251	1,879,818
<u>626,106</u>	<u>3,742,597</u>	<u>1,150,182</u>	<u>3,080,405</u>	<u>6,914,420</u>	<u>2,995,488</u>
<u>\$13,073,912</u>	<u>\$11,277,472</u>	<u>\$ 6,713,861</u>	<u>\$ 7,935,785</u>	<u>\$13,984,985</u>	<u>\$ 8,039,897</u>

OTHER INFORMATION

CITY OF SPIRIT LAKE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Program Expenditures</u>
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Economic Development Authority:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	12-ED-001	\$ <u>395,000</u>
Department of Homeland Security:			
Iowa Homeland Security and Emergency Management:			
Disaster Grants - Public Assistance Grants (Presidentially Declared Disasters)	97.036	PA-07-IA-4184-PW-00197(1)	<u>50,781</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	STP-U-7185(603)-70-30	1,018,944
		SRTS-U-7185(602)-8U-30	<u>5,403</u>
			<u>1,024,347</u>
TOTAL			<u>\$1,470,128</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of City of Spirit Lake and is presented in conformity with an other comprehensive basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CITY OF SPIRIT LAKE
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN BALANCES - BUDGET AND ACTUAL (CASH BASIS) -
ALL GOVERNMENTAL AND PROPRIETARY FUNDS
OTHER INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Total <u>Actual</u>
RECEIPTS:			
Property taxes	\$ 2,202,054		\$ 2,202,054
Other city taxes	1,254,330		1,254,330
Tax increment financing revenues	2,313,443		2,313,443
Licenses and permits	35,243		35,243
Use of money and property	7,069	\$ 19,759	26,828
Intergovernmental	2,745,068		2,745,068
Charges for services	31,684	3,289,736	3,321,420
Miscellaneous	99,411	33,187	132,598
TOTAL RECEIPTS	<u>8,688,302</u>	<u>3,342,682</u>	<u>12,030,984</u>
DISBURSEMENTS:			
Public safety	1,169,593		1,169,593
Public works	908,359		908,359
Health and social services	33,725		33,725
Culture and recreation	632,133		632,133
Community and economic development	717,713		717,713
General government	379,223		379,223
Debt service	6,498,858		6,498,858
Capital projects	3,951,168		3,951,168
Business type		2,505,974	2,505,974
TOTAL DISBURSEMENTS	<u>14,290,772</u>	<u>2,505,974</u>	<u>16,796,746</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(5,602,470)</u>	<u>836,708</u>	<u>(4,765,762)</u>
OTHER FINANCING SOURCES (USES):			
Operating transfer in	3,368,259	265,666	3,633,925
Operating transfer out	(3,109,764)	(524,161)	(3,633,925)
Bond and note proceeds - net	4,807,540		4,807,540
TOTAL OTHER FINANCING SOURCES (USES)	<u>5,066,035</u>	<u>(258,495)</u>	<u>4,807,540</u>
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES (USES) OVER (UNDER) DISBURSEMENTS	<u>(536,435)</u>	<u>578,213</u>	<u>41,778</u>
BALANCE - BEGINNING OF YEAR	<u>3,386,674</u>	<u>3,276,190</u>	<u>6,662,864</u>
BALANCE - END OF YEAR	<u>\$ 2,850,239</u>	<u>\$3,854,403</u>	<u>\$ 6,704,642</u>

Less Funds Not Required to be Budgeted	Net Actual	Original Budget	Final Budget	Final to Actual Variance
	\$ 2,202,054	\$ 2,209,044	\$ 2,209,044	\$ (6,990)
	1,254,330	1,092,457	1,255,957	(1,627)
	2,313,443	2,420,000	2,420,000	(106,557)
	35,243	49,800	49,800	(14,557)
\$ 2,795	24,033	20,000	20,000	4,033
	2,745,068	2,137,946	2,927,126	(182,058)
37,998	3,283,422	3,261,800	3,261,800	21,622
1,638	130,960	244,388	244,388	(113,428)
<u>42,431</u>	<u>11,988,553</u>	<u>11,435,435</u>	<u>12,388,115</u>	<u>(399,562)</u>
	1,169,593	1,166,369	1,208,369	38,776
	908,359	1,133,846	1,033,846	125,487
	33,725	36,574	36,574	2,849
	632,133	709,624	724,624	92,491
	717,713	311,683	737,683	19,970
	379,223	464,458	434,458	55,235
	6,498,858	3,224,392	6,504,392	5,534
	3,951,168	4,879,000	4,121,000	169,832
28,181	2,477,793	2,779,136	2,779,136	301,343
<u>28,181</u>	<u>16,768,565</u>	<u>14,705,082</u>	<u>17,580,082</u>	<u>811,517</u>
<u>14,250</u>	<u>(4,780,012)</u>	<u>(3,269,647)</u>	<u>(5,191,967)</u>	<u>411,955</u>
85,000	3,548,925	4,207,728	4,540,617	(991,692)
	(3,633,925)	(4,207,728)	(4,540,617)	906,692
	<u>4,807,540</u>	<u>3,243,000</u>	<u>4,910,028</u>	<u>(102,488)</u>
<u>85,000</u>	<u>4,722,540</u>	<u>3,243,000</u>	<u>4,910,028</u>	<u>(187,488)</u>
99,250	(57,472)	(26,647)	(281,939)	224,467
<u>678,918</u>	<u>5,983,946</u>	<u>3,263,599</u>	<u>6,665,542</u>	<u>(681,596)</u>
<u>\$778,168</u>	<u>\$ 5,926,474</u>	<u>\$ 3,236,952</u>	<u>\$ 6,383,603</u>	<u>\$ (457,129)</u>

CITY OF SPIRIT LAKE
NOTES TO OTHER INFORMATION - BUDGETARY REPORTING
FOR THE YEAR ENDED JUNE 30, 2015

The budgetary comparison is presented as Other Information in accordance with Government Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$2,875,000. These budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2015, disbursements did not exceed the amounts budgeted.

CITY OF SPIRIT LAKE
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST FISCAL YEAR *
(IN THOUSANDS)

OTHER INFORMATION (UNAUDITED)

	<u>2015</u>
City's proportion of the net pension liability018088%
City's proportionate share of the net pension liability	\$ 718
City's covered-employee payroll	\$ 1,942
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	36.97%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

CITY OF SPIRIT LAKE
SCHEDULE OF CITY CONTRIBUTIONS

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST FIVE FISCAL YEARS *
(IN THOUSANDS)

OTHER INFORMATION (UNAUDITED)

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Statutorily required contribution	\$ 181	\$ 180	\$ 173	\$ 162	\$ 142
Contributions in relation to the statutorily required contribution	<u>181</u>	<u>180</u>	<u>173</u>	<u>162</u>	<u>142</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's covered-employee payroll	\$ 1,944	\$ 1,942	\$ 1,900	\$ 1,879	\$ 1,838
Contributions as a percentage of covered-employee payroll	9.31%	9.27%	9.11%	8.62%	7.73%

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

CITY OF SPIRIT LAKE
NOTES TO OTHER INFORMATION - PENSION LIABILITY
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
YEAR ENDED JUNE 30, 2015

Changes of Benefit Terms

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of Assumptions

The 2014 valuation implemented the following refinements as a result of quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

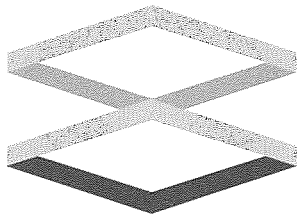
- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

CITY OF SPIRIT LAKE
NOTES TO OTHER INFORMATION - PENSION LIABILITY - Continued
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
YEAR ENDED JUNE 30, 2015

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.



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**INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Honorable Mayor and
Members of the City Council
City of Spirit Lake
Spirit Lake, IA 51360

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Spirit Lake, Iowa, as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 23, 2016. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Spirit Lake's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as Item II-A-15 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Spirit Lake's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Spirit Lake's Responses to Findings

The City's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

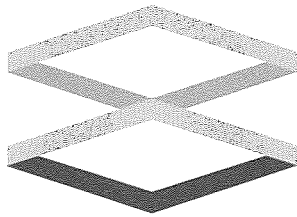
Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Spirit Lake during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Winthru, Stave & Co., LLP

March 23, 2016
Spencer, Iowa



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

The Honorable Mayor and
Members of the City Council
City of Spirit Lake
Spirit Lake, IA 51301

Report on Compliance for Each Major Federal Program

We have audited the City of Spirit Lake, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on the City's major federal programs for the year ended June 30, 2015. The City's major federal programs are identified in Part I of the accompanying Schedule of Finding and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on The Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2015.

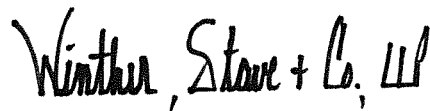
Report on Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Winther, Stone & Co., LLP". The signature is written in a cursive, flowing style.

March 23, 2016
Spirit Lake, Iowa

CITY OF SPIRIT LAKE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Part I: Summary of the Independent Auditors' Results:

- a. Unmodified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.
- b. A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- c. The audit did not disclose any noncompliance which is material to the financial statements.
- d. No material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- e. An unmodified opinion was issued on compliance with requirements applicable to each major program.
- f. The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- g. The major programs were CFDA Number 14.228 - Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii and CFDA Number 20.205 - Highway Planning and Construction.
- h. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i. The City of Spirit Lake did not qualify as a low-risk auditee.

CITY OF SPIRIT LAKE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
FOR THE YEAR ENDED JUNE 30, 2015

Part II: Findings Related to the Financial Statements

Internal Control Deficiency:

II-A-15 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted, because of the limited number of employees, there are times when employees are performing duties which are not compatible.

Recommendation - We realize that with a limited number of office employees segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - The City will continue to review its control procedures.

Conclusion - Response accepted.

Instances of Non-Compliance:

No findings were noted.

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No findings were noted.

Reportable Conditions:

No material weaknesses in internal control over the major programs were reported.

CITY OF SPIRIT LAKE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
FOR THE YEAR ENDED JUNE 30, 2015

Part IV: Other Findings Related to Required Statutory Reporting

IV-A-15 Certified Budget - Disbursements for the year ended June 30, 2015 did not exceed budgeted amounts.

IV-B-15 Questionable Expenditures - We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-15 Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-15 Business Transactions - The City paid Spirit Lake Mainsail (Mainsail) \$46,930 during the year ended June 30, 2015. Mayor Blain Andera is the executive director of Mainsail. This does not appear to represent a conflict of interest since the mayor is only an employee of Mainsail and does not have a vote on the Mainsail funding.

The only other related party transactions noted were \$786 of payments to Converged Technologies, LLC, a company owned by Jerry Harbst, Council Member, and \$188 of payments to Long Branch Tree Care, a company owned by John Chappas, Council Member. The transactions do not appear to represent a conflict of interest since the amounts are less than \$1,500.

IV-E-15 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-15 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

IV-G-15 Revenue Bonds/Notes - No non-compliance with revenue note provisions were noted.

IV-H-15 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

CITY OF SPIRIT LAKE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
FOR THE YEAR ENDED JUNE 30, 2015

Part IV: Other Findings Related to Required Statutory Reporting - Continued

IV-I-15 Urban Renewal Report - The urban renewal annual report for the fiscal year ended June 30, 2014 was approved and certified to the Iowa Department of Management on or before December 1, 2014.

IV-J-15 Urban Renewal Tax Reconciliation - We noted Dickinson County had not prepared and could not provide the City with a required Urban Renewal Area TIF Indebtedness/Increment Tax Reconciliation.

Recommendation - Since the County has not prepared the reconciliation, the City should expand procedures to monitor TIF obligations, certification, and reporting requirements.

Response - We will continue to monitor our TIF obligations, certifications, and reporting requirements.

Conclusion - Response accepted.